

A Winning Combination: Linking Codes with Home Energy Ratings

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Building energy code compliance can be enhanced through the linking of code compliance with market-driven efforts such as home energy ratings and energy efficient mortgages.

Home Energy Ratings and Energy Mortgages Will Increase Housing Affordability

The effort to ensure the energy efficiency of new homes through improved building energy codes have raised concerns with the housing industry that improved energy codes will cause higher construction costs which in turn, will reduce housing affordability. Home energy ratings coupled with energy efficient mortgages can provide an opportunity to turn this perception around. In reality, the value of energy efficiency actually greatly exceeds the added cost and thereby increases the number of qualified home buyers. It also increases consumers' "buying power" for higher quality, more comfortable and more affordable energy efficient homes. Through the market force of home energy ratings and energy mortgages investing in making homes energy efficient will have the positive effect of making housing *more* affordable, not less affordable.

The secondary mortgage market recognizes that with lower utility bills home buyers can afford to have higher mortgage payments. The energy efficient mortgage allows a home buyer a higher debt-to-income qualifying ratio when purchasing an energy efficient home documented to be energy efficient through a home energy rating. A recent analysis sponsored by the U.S. Environmental Protection Agency found that energy efficient mortgages could have a dramatic impact on home ownership. The analysis concluded that nationally the number of families that could afford a mortgage loan would increase by an average of 6.8% through energy efficient mortgages. The EPA analysis estimates that the use of energy efficient mortgages would be able to qualify 7% more families for home ownership in Las Vegas and Reno.

Home Energy Ratings Will Improve Builder Performance

An August 1997 analysis conducted by the National Conference of State Legislatures found that "home energy ratings tied with energy mortgages can help state and local governments increase compliance with building energy codes and standards such as the Model Energy Code." While codes and standards are aimed at *minimum compliance* the market-driven home energy ratings and energy efficient mortgages includes market recognition and mortgage financing incentives for builders to attain *maximum performance*.

A home energy rating involves a home inspection by a specially trained building science professional. Such persons are certified by a nationally accredited home energy rating system. The inspection includes diagnostic performance testing of a home's envelope and HVAC system's air leakage. With an independent, non-regulatory inspection that is endorsed by the State of Nevada and the national mortgage industry, consumers have much greater certainty that the home actually meets or exceeds the local energy code.

Growth in the new housing market in Nevada in recent years has placed a great burden on city and building inspectors. A series of December 1998 articles appearing in the Reno Gazette-Journal reported that because of the staggering workload, building inspections are little more than spot checks that provide little assurance that work was completed to specifications. This is very consistent with studies conducted across the nation that show that when a state or local building energy code does not provide for an independent verification by a residential energy efficiency, the actual building practice too often does not meet local code requirements.

Housing Industry Embraces Voluntary Energy Programs

Market-driven voluntary programs have been embraced nationally by the housing industry as the most effective method of improving the energy efficiency of new housing. The January 1997 issue of Builder Magazine quoted Don DeLess of the National Association of Home Builders' voluntary energy task force urging its members to adopt voluntary energy programs: "It's in a builder's best interest to get involved in a voluntary energy program. If we can demonstrate strong participation by the industry, we can convince governmental regulatory agencies that market-driven programs are more effective than less flexible, mandated codes."

There is an Emerging Market for Energy Efficient Homes

A new national trend is having a major impact on the Nevada housing market. Energy efficiency is now on the top 10 list of what home buyers want according to a recent survey by the National Association of Home Builders. Major production builders in Southern Nevada, Arizona, and Utah are already building entire subdivisions of "5 Star" energy efficient homes. A Five Star energy rating means that the home is more than 30% efficient than what is called for in the Model Energy Code. These homes that are documented to be energy efficient through a home energy rating are selling out faster.

For these reasons, there is a movement nationally to include a home energy rating as a option for demonstrating compliance to local building energy codes. In Alaska, Florida, Indiana, Iowa, and Vermont the state building code recognizes a home energy rating as a compliance option. The State of California is currently in the process of amending the state's energy code to recognize home energy ratings. In addition to recognizing home energy ratings as an option local communities such as the City of Fort Collins, Colorado and Santa Barbara, California, also provide an added incentive to builders such as quicker plan reviews or reduced inspection fees if the home is energy rated.